GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:831
ANSWERED ON:17.08.2007
HIGHER TAXES ON CARS
Suman Shri Ramji Lal

Will the Minister of FINANCE be pleased to state:

(a) whether requests for increasing taxes on cars have been received from the Ministry of Urban Development; and

(b) if so, the details thereof and action taken thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) Yes, Sir.

(b) Ministry of Urban Development had, in the pre-budget 2007-08 stage, requested Ministry of Finance to reduce excise duty on buses meant for urban transport and, to compensate the revenue loss, levy proportionately higher duties on personal vehicles. The request was examined by Government and it was decided not to agree to the suggestion, because of the following reasons:

(i) Government had reduced excise duty on small cars of prescribed dimensions and engine capacity, from 24% to 16% in Budget 2006-07, with the objective of making India a manufacturing hub for small and fuel efficient cars.

(ii)On bigger cars, excise duty rate is 24%, which is considerably higher than the mean Cenvat rate of 16% attracted on most manufactured items.